

CITY OF STAFFORD, TEXAS
ANNUAL FINANCIAL REPORT
Year Ended September 30, 2020
with Report of Independent Auditors

CITY OF STAFFORD, TEXAS
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CITY OF STAFFORD, TEXAS
PRINCIPAL OFFICIALS

Elected Officials

Cecil Willis	Mayor
Wen Guerra	Mayor Pro Tem
Ken Mathew	Council Member
Virginia Rosas	Council Member
Don Jones	Council Member
Alice C. Chen	Council Member
Xavier Herrera	Council Member

Appointed Officials

Tomika R. Lewis	City Secretary
Richard Ramirez	Chief of Police
Vacant	Finance Director
Chris Riggs	Director of Public Works
Carolyn Entricht	Multimedia Communications Director
Nicole Nguyen	Director of Municipal Court
Lawrence DiCamillo	Fire Chief
Susan Ricks	Director of Recreation/Contract Administrator Recreation
Ryan Young	Director of Information Technology
Patti Worfe	Executive Director of Stafford Economic Development Corporation
Shanell Garcia	Director of Human Resources



FINANCIAL SECTION



REPORT OF INDEPENDENT AUDITORS

To The Honorable Mayor and
Members of City Council
City of Stafford, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of City of Stafford, Texas (the “City”) as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Stafford Municipal School District, a discretely presented component unit of the City which reflects 92% of total assets and 90% of total revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for that discretely presented component unit is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To The Honorable Mayor and
Members of City Council
City of Stafford, Texas

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14, and the budgetary schedules, required pension system and other post-employment benefits information on pages 48 through 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and other supplementary information, and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To The Honorable Mayor and
Members of City Council
City of Stafford, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 22, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.


Houston, Texas
March 22, 2021



MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF STAFFORD, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Stafford (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g. municipal court fines).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government and administration, public safety, public works, and parks and recreation. The City currently does not have any business-type activities.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's two discretely presented component units consist of the following: Stafford Economic Development Corporation and Stafford Municipal School District.

The government-wide financial statements can be found on pages 17 through 19 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City currently only has governmental funds.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten (13) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Hotel Occupancy Tax Special Revenue Fund and Capital Projects Fund which are considered to be major funds. Data for the other ten (10) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on pages 20 through 23 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 through 46 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* – including Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for both the General Fund and Hotel Occupancy Tax Special Revenue Fund, Schedules of Changes in Net Pension Liability and Contributions, and a Schedule of Changes in Net OPEB Liability. Required supplementary information can be found on pages 49 through 55 of this report.

The *other supplemental information* is presented following the required supplementary information. These combining statements can be found on pages 58 through 63 of this report.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

The following table provides a summary of the City's net position at September 30, 2020 and 2019:

Condensed Schedule of Net Position
September 30, 2020 and 2019

	Governmental Activities		Change	
	2020	2019	Amount	Percent
Current and other assets	\$ 21,559,414	\$ 26,883,243	\$ (5,323,829)	-20%
Capital assets	69,175,704	63,058,824	6,116,880	10%
Total Assets	90,735,118	89,942,067	793,051	1%
 Deferred outflows of resources	 1,458,756	 3,199,634	 (1,740,878)	 -54%
Current and other liabilities	9,925,085	9,331,923	593,162	6%
Long-term liabilities	18,167,370	21,308,035	(3,140,665)	-15%
Total Liabilities	28,092,455	30,639,958	(2,547,503)	-8%
 Deferred inflows of resources	 2,072,821	 574,176	 1,498,645	 261%
Net position:				
Net investment in capital assets	58,727,505	57,212,815	1,514,690	3%
Restricted	8,584,347	8,340,529	243,818	3%
Unrestricted	(5,283,254)	(3,625,777)	(1,657,477)	46%
Total Net Position	\$ 62,028,598	\$ 61,927,567	\$ 101,031	0%

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Stafford, assets and deferred outflows exceeded liabilities and deferred inflows by \$62.0 million as of September 30, 2020.

By far the largest portion of the City's net position, 95 percent reflects its net investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional 14 percent portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position carries a negative balance of \$5.3 million primarily due to long term pension and other post-employment benefits with a \$4.2 million downward impact on overall net position..

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table provides a summary of the City's operations for the years ended September 30, 2020 and 2019:

Condensed Statement of Activities
For the Years Ended September 30, 2020 and 2019

	Governmental Activities		Change	
	2020	2019	Amount	Percent
Revenues				
Program revenue:				
Charges for services	\$ 5,637,549	\$ 6,817,199	\$ (1,179,650)	-17%
Operating grants and contributions	1,093,495	1,225,161	(131,666)	-11%
Capital grants and contributions	5,388,441	1,757,436	3,631,005	207%
General revenues:				
Sales and use taxes	15,047,439	13,401,731	1,645,708	12%
Other taxes	2,418,097	2,768,653	(350,556)	-13%
Unrestricted investment earnings	84,538	338,614	(254,076)	-75%
Miscellaneous	54,883	295,782	(240,899)	-81%
Total Revenues	29,724,442	26,604,576	3,119,866	12%
Expenses:				
General Administration	4,700,787	3,832,660	868,127	23%
Finance Administration	550,272	535,025	15,247	3%
Municipal Services & Public Works	7,219,954	7,227,133	(7,179)	0%
Police and Emergency Services	13,296,921	13,128,848	168,073	1%
Recreation and Performing Arts	1,221,438	1,275,652	(54,214)	-4%
Stafford Centre	1,692,178	2,108,494	(416,316)	-20%
Judicial	537,716	553,821	(16,105)	-3%
Interest on long-term debt	404,145	511,167	(107,022)	-21%
Total Expenses	29,623,411	29,172,800	450,611	2%
Change in net position for the year	101,031	(2,568,224)	2,669,255	104%
Net Position - Beginning	61,927,567	64,495,791	(2,568,224)	-4%
Net Position - Ending	\$ 62,028,598	\$ 61,927,567	\$ 101,031	0%

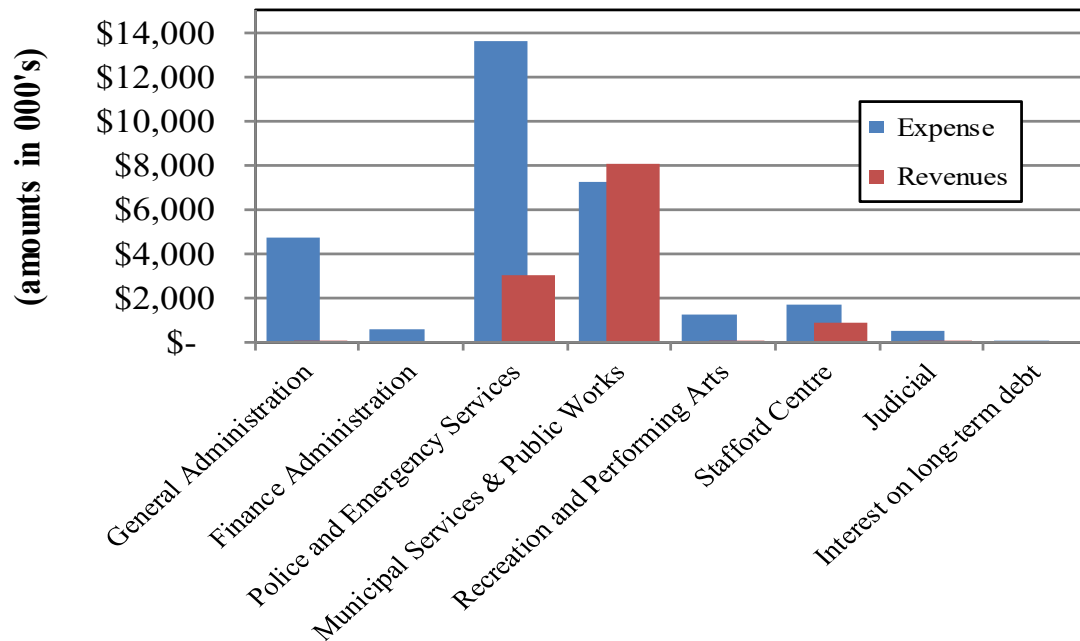
CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental activities

Governmental activities remained level in the 2020 fiscal year with the following significant changes in individual revenue and expense categories:

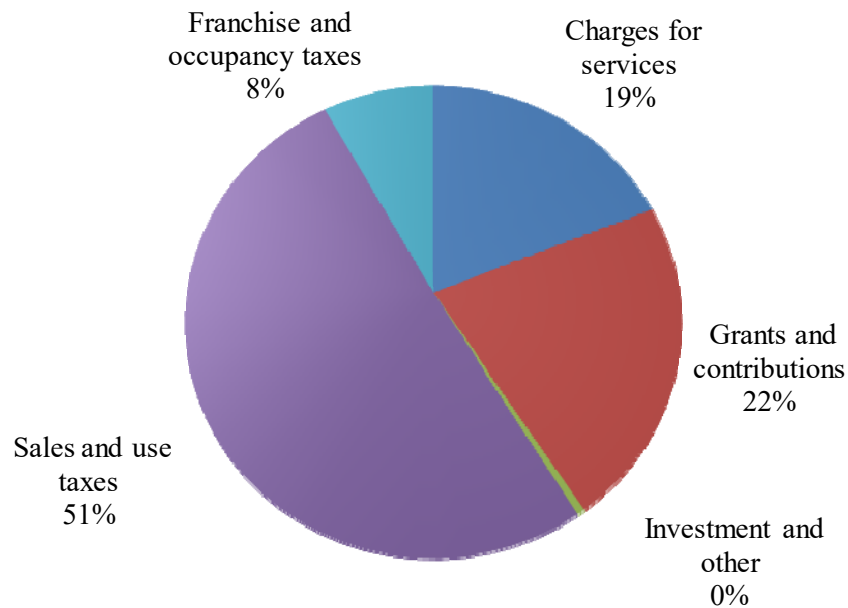
- Charges for services decreased by \$1.2 million or 17% primarily due to reductions in Civic Center and Stafford Centre receipts as a direct result of the ongoing COVID 19 pandemic. Conversely, expenses related to these two activities dropped by approximately \$450,000 as a result of a reduction in variable operating costs. Certain costs associated with these venues are fixed and not determined by the venues' usage.
- Capital grants and contributions have increased for the 2020 fiscal year primarily due to capital assets constructed by the Stafford Economic Development Corporation on behalf of the City of approximately \$5.2 million reported in this category.
- Sales and use taxes increased by approximately \$1.6 million due primarily due to increased sales relating to new retail operations in the City. This increase is offset by rebates of 80% of \$1.4 million paid in the form of Chapter 380 Agreement grants to the retailer generating the taxable sales. These grants are apparent in the increase in general administration expenses in the table above.

A comparison of program expenses to program revenues follows:



CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Revenue sources for governmental activities were distributed as follows:



Financial Analysis of the City's Funds

As noted earlier, the City of Stafford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$10.4 million. A portion of the fund balance (\$9.6 million) is restricted by law or third-party agreements and is not available for general governmental expenditures. The remainder of the governmental fund balance of \$0.8 million is available for any lawful purpose.

The General Fund balance decreased by \$5.4 million in the current fiscal year

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$3.1 million decrease in appropriations.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental activities as of September 30, 2020, amounted to million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure.

The following table shows the balances at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Capital Assets not being depreciated		
Land	\$ 5,143,634	\$ 4,997,622
Construction in progress	3,202,538	7,300,792
Capital Assets, net of depreciation		
Buildings	22,846,734	17,677,788
Improvements other than buildings	2,193,707	2,502,079
Machinery and equipment	6,153,145	6,360,442
Vehicles (capital lease)	-	-
Infrastructure	29,635,946	24,220,101
Total capital assets - Governmental Activities	<u>\$ 69,175,704</u>	<u>\$ 63,058,824</u>

Additional information on the City's capital assets can be found in Note 6 to the financial statements of this report.

Long-term liabilities

At the end of the current fiscal year, the City had a total long-term debt liability of \$14.6 million. A comparison of long-term debt at September 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Certificates of obligation	\$ 8,510,000	\$ 8,760,000
Premiums on issuance	314,637	329,159
Capital leases payable	2,591,999	2,387,488
Sales Tax obligations	1,713,278	1,856,029
Compensated absences - sick leave	1,496,593	1,267,120
	<u>\$ 14,626,507</u>	<u>\$ 14,599,796</u>

Additional information on the City's long-term debt can be found in Note 7 to the financial statements of this report.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

In the 2020-21 Budget, General Fund revenues are budgeted to increase by approximately 7% from the 2019-20 budget year primarily due to projected funding from the Fort Bend County Mobility bond program of \$2.0 million. Appropriations are budgeted to increase by approximately 7% from the 2019-20 budget year.

	<u>2020 Budget</u>	<u>2021 Budget</u>	<u>Changes</u>
Revenues	\$ 24,419,505	\$ 26,138,503	\$ 1,718,998
Expenditures	(24,666,505)	(26,306,839)	(1,640,334)
Other sources (uses)	<u>(602,000)</u>	<u>(601,000)</u>	<u>1,000</u>
Changes in fund balance	(849,000)	(769,336)	79,664
Beginning Fund Balance	<u>6,279,339</u>	<u>879,567</u>	<u>(5,399,772)</u>
Ending Fund Balance	<u>\$ 5,430,339</u>	<u>\$ 110,231</u>	<u>\$ (5,320,108)</u>

In preparing the 2020-21 budget, management considered certain economic factors including:

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Stafford, 2610 South Main, Stafford, Texas, 77477.

BASIC FINANCIAL STATEMENTS



CITY OF STAFFORD, TEXAS
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government	Component Units	
	Governmental Activities	Stafford Economic Development Corporation	Stafford Municipal School District
Assets			
Cash and cash equivalents	\$ 7,247,069	\$ 4,516,458	\$ 34,013,860
Receivables (Net of Allowance for Uncollectibles)	4,619,953	906,560	2,142,882
Due from primary government	-	6,238,493	-
Inventories	91,000	-	-
Prepaid items	-	-	33,480
Restricted cash and cash equivalents	9,601,392	-	-
Capital assets, not subject to depreciation:	8,346,172	-	53,917,983
Capital assets, net of depreciation:	60,829,532	-	44,859,557
Total Capital Assets	<u>69,175,704</u>	<u>-</u>	<u>98,777,540</u>
Total Assets	<u>90,735,118</u>	<u>11,661,511</u>	<u>134,967,762</u>
Deferred Outflows of Resources			
Deferred charge on refunding	-	1,021,466	2,336,626
Deferred outflows relating to post employment activities	1,458,756	-	7,039,092
Total Deferred Outflows of Resources	<u>1,458,756</u>	<u>1,021,466</u>	<u>9,375,718</u>
Liabilities			
Accounts payable and accrued expenses	2,358,522	582,346	9,301,214
Due to component units	6,238,493	-	-
Unearned revenues	1,328,070	-	153,523
Long-term liabilities:			
Due within one year	885,987	1,127,409	2,902,883
Due in more than one year	13,740,520	14,550,902	111,971,979
Net OPEB Liability	519,135	-	13,230,649
Net Pension Liability	3,021,728	-	9,729,213
Total Liabilities	<u>28,092,455</u>	<u>16,260,657</u>	<u>147,730,151</u>
Deferred Inflows of Resources			
Deferred inflows relating to post employment activities	2,072,821	-	7,578,450
Total Deferred Inflows of Resources	<u>2,072,821</u>	<u>-</u>	<u>7,578,450</u>
Net Position			
Net investment in capital assets	58,727,505	-	(5,188,194)
Restricted for:			
Grants	-	-	427,796
Debt service	-	-	2,709,756
Municipal courts	127,633	-	-
Public safety	226,752	-	-
Community projects	200,958	-	-
Tourism	8,029,004	-	-
Unrestricted	(5,283,254)	(3,577,680)	(8,914,479)
Total Net Position	<u>\$ 62,028,598</u>	<u>\$ (3,577,680)</u>	<u>\$ (10,965,121)</u>

CITY OF STAFFORD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Page 1 of 2

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General Administration	\$ 4,700,787	\$ -	\$ 34,349	\$ -
Finance Administration	550,272	-	-	-
Municipal Services & Public Works	7,219,954	2,641,265	-	5,388,441
Police and Emergency Services	13,296,921	1,947,121	1,059,146	-
Recreation and Performing Arts	1,221,438	79,033	-	-
Stafford Centre	1,692,178	904,167	-	-
Judicial	537,716	65,963	-	-
Interest on long-term debt	404,145	-	-	-
Total governmental activities	<u>29,623,411</u>	<u>5,637,549</u>	<u>1,093,495</u>	<u>5,388,441</u>
Component Units				
Stafford Economic Development Corporation	7,695,360	-	-	-
Stafford Municipal School District	50,676,257	503,729	7,061,189	
Total component units	<u>58,371,617</u>	<u>503,729</u>	<u>7,061,189</u>	
Total	<u>\$ 87,995,028</u>	<u>\$ 6,141,278</u>	<u>\$ 8,154,684</u>	<u>\$ 5,388,441</u>

CITY OF STAFFORD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary	Component Units	
	Government		
	Governmental	Economic	Stafford
	Activities	Development	Municipal
		Corporation	School District
Primary government			
Governmental Activities:			
General Administration	\$ (4,666,438)	\$ -	\$ -
Finance Administration	(550,272)	-	-
Municipal Services & Public Works	809,752	-	-
Police and Emergency Services	(10,290,654)	-	-
Recreation and performing arts	(1,142,405)	-	-
Stafford Centre	(788,011)	-	-
Judicial	(471,753)	-	-
Interest on long-term debt	(404,145)	-	-
Total governmental activities	(17,503,926)	-	-
Component Units			
Stafford Economic Development Corporation	-	(7,695,360)	-
Stafford Municipal School District	-	-	(43,111,339)
Total component units	-	(7,695,360)	(43,111,339)
Total	\$ (17,503,926)	\$ (7,695,360)	\$ (43,111,339)
General revenues:			
Taxes:			
Sales and use tax	15,047,439	4,936,953	-
Franchise taxes	1,686,714	-	-
Occupancy and other taxes	731,383	-	-
Property taxes	-	-	32,684,563
Unrestricted investment earnings	84,538	39,474	683,325
Grants and contributions not restricted	-	-	5,108,267
Miscellaneous	54,883	25,668	472,493
Total general revenues	17,604,957	5,002,095	38,948,648
Change in net position	101,031	(2,693,265)	(4,162,691)
Net Position - Beginning, as restated	61,927,567	(884,415)	(6,802,430)
Net Position - Ending	\$ 62,028,598	\$ (3,577,680)	\$ (10,965,121)

CITY OF STAFFORD, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	General Fund	Hotel Occupancy Tax Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 7,247,069	\$ -	\$ -	\$ -	\$ 7,247,069
Receivables (Net of Allowance for Uncollectibles)	4,532,861	60,478	26,614	-	4,619,953
Due from component units	5,139	-	-	-	5,139
Due from other funds	251,073	-	-	160,326	411,399
Inventories	91,000	-	-	-	91,000
Restricted cash and cash equivalents	-	8,119,224	1,059,991	422,177	9,601,392
Total Assets	\$ 12,127,142	\$ 8,179,702	\$ 1,086,605	\$ 582,503	\$ 21,975,952
Liabilities					
Accounts payable	\$ 2,885,434	\$ -	\$ -	\$ 2,485	\$ 2,887,919
Accrued expenditures	339,028	-	-	-	339,028
Due to other funds	160,326	150,698	91,554	8,821	411,399
Due to component unit	6,243,632	-	-	-	6,243,632
Unearned revenue	355,231	-	-	-	355,231
Total Liabilities	9,983,651	150,698	91,554	11,306	10,237,209
Deferred Inflows of Resources					
Unavailable revenues	1,263,924	-	26,614	-	1,290,538
Fund balances					
Nonspendable	91,000	-	-	-	91,000
Restricted:					
Debt service	-	-	-	15,854	15,854
Capital Projects	-	-	968,437	-	968,437
Municipal court programs	-	-	-	127,633	127,633
Public safety programs	-	-	-	226,752	226,752
Municipal services	-	-	-	200,958	200,958
Tourism	-	8,029,004	-	-	8,029,004
Unassigned	788,567	-	-	-	788,567
Total Fund Balances	879,567	8,029,004	968,437	571,197	10,448,205
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 12,127,142	\$ 8,179,702	\$ 1,086,605	\$ 582,503	\$ 21,975,952

CITY OF STAFFORD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
September 30, 2020

Total fund balance, governmental funds	\$ 10,448,205
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	69,175,704
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Uncollected fines and forfeitures and fees that are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	1,263,924
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Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds payable	(11,416,636)
Excess sales tax due to State	(1,713,278)
Accrued interest	(77,800)
Accrued compensated absences	(1,496,593)

Net pension liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.

Deferred outflows of resources	1,333,345
Net pension liability	(3,021,728)
Deferred inflows of resources	(2,004,122)

Net OPEB liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.

Deferred outflows of resources	125,411
Total OPEB liability	(519,135)
Deferred inflows of resources	(68,699)

Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 62,028,598</u>
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CITY OF STAFFORD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>General Fund</u>	<u>Hotel Occupancy Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes:					
Sales and use tax	\$ 15,047,439	\$ 731,383	\$ -	\$ -	\$ 15,778,822
Franchise taxes	1,686,714	-	-	-	1,686,714
Fines and forfeitures	1,064,974	-	-	61,690	1,126,664
Licenses and permits	1,604,268	-	-	-	1,604,268
Intergovernmental	1,428,379	-	-	-	1,428,379
Charges for services	1,598,928	-	-	-	1,598,928
Interest	20,317	38,763	22,719	2,739	84,538
Miscellaneous	290,580	-	-	156,814	447,394
Total Revenues	<u>22,741,599</u>	<u>770,146</u>	<u>22,719</u>	<u>221,243</u>	<u>23,755,707</u>
Expenditures					
Current:					
General administration	4,337,233	-	-	-	4,337,233
Financial administration	545,811	-	-	-	545,811
Municipal services and public works	5,238,988	-	-	3,047	5,242,035
Police and emergency services	11,689,048	-	-	42,314	11,731,362
Recreation and performing arts	245,041	985,464	-	-	1,230,505
Stafford Centre	904,167	-	-	-	904,167
Judicial	496,271	-	-	21,100	517,371
Capital Outlay	1,112,694	1,481	4,070,108	47,037	5,231,320
Debt Service:					
Principal	408,051	-	-	250,000	658,051
Interest and other charges	76,014	-	-	349,799	425,813
Total Expenditures	<u>25,053,318</u>	<u>986,945</u>	<u>4,070,108</u>	<u>713,297</u>	<u>30,823,668</u>
Revenues over (under) expenditures	<u>(2,311,719)</u>	<u>(216,799)</u>	<u>(4,047,389)</u>	<u>(492,054)</u>	<u>(7,067,961)</u>
Other Financing Sources (Uses)					
Proceeds from captial lease	469,811	-	-	-	469,811
Transfers in	-	-	-	602,000	602,000
Transfers out	(3,557,864)	-	2,955,864	-	(602,000)
Total other financing sources (uses)	<u>(3,088,053)</u>	<u>-</u>	<u>2,955,864</u>	<u>602,000</u>	<u>469,811</u>
SPECIAL ITEM					
Proceeds from sale of land					
Net Changes in Fund Balances	(5,399,772)	(216,799)	(1,091,525)	109,946	(6,598,150)
Fund Balances - Beginning of Year	<u>6,279,339</u>	<u>8,245,803</u>	<u>2,059,962</u>	<u>461,251</u>	<u>17,046,355</u>
Fund Balances - End of Year	<u>\$ 879,567</u>	<u>\$ 8,029,004</u>	<u>\$ 968,437</u>	<u>\$ 571,197</u>	<u>\$ 10,448,205</u>

CITY OF STAFFORD, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Net change in fund balances - total governmental funds: \$ (6,598,150)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period. This is the amount by which capital outlay of \$4,968,170 was exceeded by depreciation of \$4,146,012 in the current period. 822,158

Contributions of capital assets by component units and other governmental entities are not reported in the governmental fund financial statements as they do not represent a flow of current resources. 5,294,722

Governmental funds do not present revenues (uncollected fines and grants) that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 674,013

Governmental funds report activity related to sales tax obligations, bonds and capital leases as an expenditure. In contrast, the Statement of Activities records the obligations and leases as long-term liabilities and the payments as a reduction in the liability. This is the amount of the change in the long-term liability. 188,240

Contributions made during the year, are treated as expenditures in the governmental funds but are treated as a reduction in post-employment liabilities in government wide financial statements.
Pension contributions 1,519,432
OPEB benefits paid 4,276

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected in Governmental funds 21,668
Compensated absences (229,473)
Pension expense for the pension plan measurement year (1,548,433)
OPEB expense for the measurement year (47,422)

Change in net position of governmental activities \$ 101,031

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization

The City of Stafford, Texas (the “City”) is an independent political subdivision of the State of Texas governed by an elected six (6) member council and a mayor. The City provides services to the citizens of the City as authorized in its charter. Presently these services include police and fire protection, building and code inspection, planning, zoning, engineering, drainage, street repair and maintenance, park maintenance, recreation facilities, municipal court and general administrative services.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Stafford Economic Development Corporation (“SEDC”)

In 1999, the City of Stafford formed the Stafford Economic Development Corporation (a 4B corporation), which was created by voters approving an additional sales tax to be used for economic development. State law (4B) allows the City to collect sales tax to assist in the promotion and development activities of the City. The Stafford Economic Development Corporation has been included as a discretely presented component unit in the City’s financial statements in accordance with generally accepted accounting principles for governments. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City.

The Financial Statements for the Stafford Economic Development Corporation can be obtained from the Director of Finance, City of Stafford, Texas.

Stafford Municipal School District

The Stafford Municipal School District (SMSD) was created by the City of Stafford in 1977, SMSD has been included as a discretely presented component unit in the City’s financial statements in accordance with generally accepted accounting principles for governments. SMSD has a separately elected Board of Trustees and is a separate legal entity. However, the City approves the District’s tax rate and budget, and must approve any debt issuance made by SMSD. In 2003, the City received legislative authority from the state for the council to have voting authority with the SMSD Board over the adoption of SMSD’s annual budget. Therefore, the City Council approval is required for annual budgets and for bonded debt issuance making the District a component unit of the City.

SMSD has a fiscal year end (August 31st) that differs from the City’s fiscal year end (September 30th). However, the year ends are treated consistently each year. The Financial Statements of SMSD can be obtained from the Chief Financial Officer of Stafford Municipal School District, 1625 Staffordshire, Stafford, Texas 77477.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Stafford Municipal School District (continued)

The City has an agreement with SMSD concerning its share of construction, maintenance and operating costs of a maintenance facility, and the costs of routine maintenance operations as more fully described in Note 11 of the financial statements.

The component units identified are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its will or a financial benefit/burden exists.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City does not have any proprietary funds or fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major governmental funds are combined and reported in a separate column in the fund financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes and franchise fees are recognized as revenues in the year that gives rise to the transaction. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Sales taxes, franchise fees, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. The *General Fund* is made up of the City's General sub-fund and its Municipal Sales Tax sub-fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Hotel/Motel Occupancy Tax Fund* accounts for taxes collected from local hotels and motels and can only be used for special purposes as allowed by the State to promote tourism and benefit the City in attracting visitors to the City.

The *Capital Projects Fund* is used to account for the proceeds of the City's 2018 Certificate of Obligation construction program.

D. Cash and Cash Equivalents

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

Note 2 - Summary of Significant Accounting Policies (continued)

E. Investments

Investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

F. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as “due from other funds” or “due to other funds” in the fund financial statements.

G. Inventory

Inventory is valued at cost and consists primarily of fuel and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

H. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental-type activities is not included as part of the capitalized value of the assets constructed.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset</u>	
Buildings	50 Years
Improvements other than buildings	20 Years
Machinery and equipment	4-20 Years
Infrastructure	20-65 Years

Note 2 - Summary of Significant Accounting Policies (continued)

I. Compensated Absences

The City's sick leave policy provides ten sick leave days per year. Employees may accumulate up to 180 sick leave days. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for a maximum of 30 days accumulated sick leave at their base salary in effect at date of termination.

Nonexempt employees are allowed to take compensation time off for hours worked in excess of 40 hours during a week. The City has established limits of 40 hours of compensation time that can be accumulated which must be taken (or paid to the employee as compensation) before the end of the fiscal year.

Employees are allowed to earn up to 20 vacation leave days per year based on their length of employment with the City. No payment in lieu of taking vacation leave days is available for continuing employees. However, in the case of termination due to voluntary termination, discharge, retirement, or death of an employee, the employee or their estate shall be paid for the accrued but unused vacation leave as of the effective date of termination. The maximum amount of vacation leave paid upon termination, regardless of the amount accrued but unused, shall not exceed the total of vacation hours the employee is eligible to earn during the year in which termination occurs.

The compensated absences are funded from the General Fund when due and payable.

J. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category:

- Deferred charge on refunding - Reported for the SEDC and the SMSD in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for post-employment benefits – Reported for the City and the SMSD in the government-wide financial statement of net position. This deferred outflow results from pension and OPEB plan contributions made after the measurement date of the post-employment liabilities and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City and the SMSD contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with benefits through the pension plan.

Note 2 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category:

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from fines, fees and taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for post-employment activities – Reported for the City and SMSD in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Other Post-Employment Benefits

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

M. Use of Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

N. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Equity

As of September 30, 2020, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City of Stafford has not adopted a minimum fund balance policy for the General Fund.

P. Net Position

Net position represents the differences between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Note 2 - Summary of Significant Accounting Policies (continued)

Q. Current GASB Pronouncements

The following GASB pronouncements have been implemented by the District in the current fiscal year:

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement was issued in March 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

The effective dates of the following pronouncements applicable to the City are postponed by 12 months:

- Statement No. 84, *Fiduciary Activities*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2019-2, *Fiduciary Activities*.

The effective dates of the following pronouncements are postponed by 18 months:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*.

As applicable, the City plans on implementing GASB No. 84 *Fiduciary Activities* in fiscal year 2021 and GASB No. 87 *Leases* in fiscal year 2022.

Note 3 - Deposits and Investments

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. At September 30, 2020, the City had no investments reported.

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of all balances.

Under Texas state law, a bank serving as the depository must have a bond or in lieu thereof, deposited or pledged securities (or letters of credit) with the City or an independent third-party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance.

At September 30, 2020, in addition to petty cash, the carrying amount of the City's cash, savings, and time deposits of \$16.8 million was entirely covered by federal depository insurance and collateral pledged in the City's name. The collateral was held in the safekeeping department of another bank, which acts as the pledging bank's agent.

Note 3 - Deposits and Investments (continued)

Investment Policy

The City held no investments at September 30, 2020. The City is not exposed to custodial credit risk.

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the “investment policy”) that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City’s deposits and investments are invested pursuant to the investment policy, which is approved by the Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes an “Investment Strategy Statement” that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City’s investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City’s management believes it complied with the requirements of the PFIA and the City’s investment policy.

The City’s Investment Officer submits an investment report each quarter to the Council. The report details the investment positions of the City and the compliance of the investment portfolios as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker’s acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations and in order to meet anticipated cash flow requirements, the Investment Policy requires that unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two years from the date of purchase.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Receivables and Allowance for Uncollectible Accounts

Receivables are evaluated and an allowance for uncollectible accounts is set up when the collections are doubtful. Receivables as of September 30, 2020, are as follows:

	<u>General Fund</u>	<u>Hotel Occupancy Tax Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Receivables:				
Taxes				
Sales and use taxes	\$ 2,712,180	\$ 60,478	\$ 26,614	\$ 2,799,272
Franchise taxes	229,957	-	-	229,957
Fines and Forfeitures	7,112,846	-	-	7,112,846
Other governments	726,938	-	-	726,938
Other	524,715	-	-	524,715
Gross Receivables	<u>11,306,636</u>	<u>60,478</u>	<u>26,614</u>	<u>11,393,728</u>
Less: allowance for uncollectibles	<u>(6,773,775)</u>	<u>-</u>	<u>-</u>	<u>(6,773,775)</u>
Net Total Receivables	<u>\$ 4,532,861</u>	<u>\$ 60,478</u>	<u>\$ 26,614</u>	<u>\$ 4,619,953</u>

The City completed special work in a subdivision within the City which was financed by general obligation bonds. The City financed the project out of the capital projects fund and has assessed the owners of the property \$481,000 to be reimbursed to the City over seven years. The impact fees are recorded in the capital project fund as revenue when the payments are received from homeowners.

Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances at September 30, 2020, consisted of the following individual fund receivables and payables:

	<u>Receivable Fund</u>		
	<u>Non-major Governmental</u>		
<u>Payable Fund</u>	<u>General Fund</u>	<u>Funds</u>	<u>Totals</u>
General Fund	\$ -	\$ 160,326	\$ 160,326
Hotel Occupancy Fund	150,698	-	150,698
Capital Projects Fund	91,554	-	91,554
Non-Major Governmental Funds	8,821	-	8,821
Total	<u>\$ 251,073</u>	<u>\$ 160,326</u>	<u>\$ 411,399</u>

Amounts reported as interfund receivables/payables are considered temporary loans needed for normal operations and will be repaid during the following fiscal year.

During the year ended September 30, 2020, the general fund transferred \$602,000 to the debt service fund to meet the debt service requirements for the 2018 Series Certificates of Obligation. Additionally the general fund transferred approximately \$2.9 million to the capital project fund to reverse the actions of a transfer made in the 2019 fiscal year.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Balance 9/30/2019	Additions	Deletions and Transfers	Balance 9/30/2020
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 4,997,622	\$	\$ 146,012	\$ 5,143,634
Construction in progress	7,300,792	9,114,045	(13,212,299)	3,202,538
Total capital assets, not being depreciated	12,298,414	9,114,045	(13,066,287)	8,346,172
Capital assets being depreciated:				
Buildings	32,331,283	-	6,126,360	38,457,643
Improvements other than buildings	5,984,438	-	-	5,984,438
Machinery and equipment	21,218,561	1,148,847	-	22,367,408
Infrastructure	67,593,619		6,939,927	74,533,546
Total capital assets being depreciated	127,127,901	1,148,847	13,066,287	141,343,035
Less accumulated depreciation for:				
Buildings	(14,653,495)	(957,414)	-	(15,610,909)
Improvements other than buildings	(3,482,359)	(308,372)	-	(3,790,731)
Machinery and equipment	(14,858,119)	(1,356,144)	-	(16,214,263)
Infrastructure	(43,373,518)	(1,524,082)	-	(44,897,600)
Total accumulated depreciation	(76,367,491)	(4,146,012)	-	(80,513,503)
Total capital assets being depreciated, net	50,760,410	(2,997,165)	13,066,287	60,829,532
Governmental Activities				
Capital Assets, Net	\$ 63,058,824	\$ 6,116,880	\$ -	\$ 69,175,704

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General administration	\$ 308,338
Municipal services and public works	1,809,285
Police and emergency services	1,220,506
Recreation and performing arts	774,629
Judicial	33,254
Total depreciation expense - governmental activities	<u>\$ 4,146,012</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets (continued)

Construction in progress for various projects as of September 30, 2020, is as follows:

Governmental Activities	Authorized Budget	Total in Progress	Remaining Commitment
West Airport Expansion	3,000,000	2,954,276	45,724
Trinity Drive Extension	1,220,000	146,012	1,073,988
Cash Road Extension	2,600,000	248,262	2,351,738
	<u>\$ 6,820,000</u>	<u>\$ 3,348,550</u>	<u>\$ 3,471,450</u>

Note 7 - Long-Term Debt

The City issues general obligation bonds, certificates of obligation, permanent improvement bonds and permanent improvement refunding bonds. Payments of principal and interest on the debt are provided primarily from sales taxes. The sales tax for debt payments (0.5 percent) was specifically approved by voters for servicing debt to lower the property taxes required for debt service. According to state law, when a City has sales taxes approved to be used for debt payment and the City does not levy property taxes for debt service, the City is allowed to use sales tax deposits that exceed the amount of revenue needed to pay the current year debt service requirements of the City for municipal purposes consistent with the municipal budget. For the year ended September 30, 2020, the City had excess sales taxes collected of \$4,957,129 over sales tax obligation debt requirements. These amounts have been recorded in the General Fund to be used as approved by City Council.

Summary of Long-Term Debt Transactions

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Certificates of obligation	\$ 8,760,000	\$ -	\$ (250,000)	\$ 8,510,000	\$ 255,000
Premiums on issuance	329,159	-	(14,522)	314,637	-
Capital leases payable	2,387,488	469,811	(265,300)	2,591,999	273,236
Sales Tax obligations	1,856,029	-	(142,751)	1,713,278	142,751
Compensated absences - sick leave	<u>1,267,120</u>	<u>444,660</u>	<u>(215,187)</u>	<u>1,496,593</u>	<u>215,000</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 14,599,796</u>	<u>\$ 914,471</u>	<u>\$ (887,760)</u>	<u>\$ 14,626,507</u>	<u>\$ 885,987</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt (continued)

Certificates of Obligation

Outstanding debt for the primary government consists of the following certificates of obligation:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Debt Outstanding</u>
Series 2018 Combination Tax and Limited Surplus Revenue Certificates of Obligation	3.125%-5.000%	\$ 8,930,000	2042	<u>\$ 8,510,000</u>

Future debt service payments on certificates of obligation to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 255,000	\$ 336,550	\$ 591,550
2022	270,000	323,800	593,800
2023	280,000	310,300	590,300
2024	290,000	296,300	586,300
2025	300,000	281,800	581,800
2026-2030	1,695,000	1,170,750	2,865,750
2031-2035	1,995,000	819,220	2,814,220
2036-2040	2,355,000	452,394	2,807,394
2041-2045	1,070,000	58,544	1,128,544
	<u>\$ 8,510,000</u>	<u>\$ 4,049,658</u>	<u>\$ 12,559,658</u>

Capital Leases

On November 2, 2016, the City entered into a capital lease for an aerial ladder truck for the fire department in the amount of \$1.1 million to be paid in installments effective October 30, 2018 through October 30, 2024 of \$157,827, annually. The capital lease bears an interest rate of 2.375%.

On January 23, 2019 the City entered into a capital lease for an aerial ladder truck and a pumper truck for the fire department in the amount of \$1.5 million to be paid in installments effective February 1, 2020 through February 1, 2029 of \$183,487, annually. The capital lease bears an interest rate of 3.65%.

On July 24, 2020, the City entered into a capital lease for a pumper truck for the fire department in the amount of \$469,811 to be paid in annual installments beginning December 15, 2021 through 2027 of \$75,110. The capital lease bears an interest rate of 2.62%.

<u>Fiscal year</u>	<u>Minimum Lease Payments</u>
2021	\$ 341,313
2022	416,424
2023	416,424
2024	416,424
2025	416,424
thereafter	959,278
	<u>\$ 2,966,287</u>
less interest payments	<u>(374,288)</u>
Capital leases payable	<u>\$ 2,591,999</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt (continued)

Excess Sales Tax Liability

The City negotiated a long-term payout of excess sales tax received in prior years in the amount of approximately \$3.6 million, with the State Comptroller. This amount was collected by the City and the Stafford Economic Development Corporation (SEDC) during the fiscal year periods 2000 through 2007. The total negotiated payout calls for a twenty-five year period with equal prorate amounts deducted each month from City's and the SEDC's sales tax receipts beginning with October 2007. No interest is associated with this long-term liability.

During the 2015 fiscal year, the City negotiated a long-term payout of excess sales tax received in prior years in the amount of \$422,023, with the State Comptroller. The total negotiated payout calls for an eighteen year period with equal amounts deducted each month from the City's sales tax receipts beginning with May 2015. No interest is associated with this long-term liability.

The annual requirements on the City's portion of the Excess Sales Tax liability, as of September 30, 2020, are \$142,751 for fiscal years 2021 through 2031 and \$143,023 in fiscal year 2032, for a total of \$1.7 million.

Note 8 - Employee Retirement System

Texas Municipal Retirement System

Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Benefits Provided (continued)

Beginning in 2005, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2005, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating
Employees covered by benefit terms –	

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	87
Inactive employees entitled to but not yet receiving benefits	85
Active employees	<u>187</u>
	<u>359</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2020, the City made contributions of 14.44% for the months in 2019 and 14.13% for the months in 2020.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2019, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 9,869,442	\$ 3,021,728	\$ (2,550,882)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 43,197,446	\$ 36,946,234	\$ 6,251,212
Changes for the year:			
Service Cost	1,878,510	-	1,878,510
Interest	2,912,579	-	2,912,579
Difference between expected and actual experience	(369,204)	-	(369,204)
Changes in assumptions	219,194		219,194
Contributions - employer	-	1,475,020	(1,475,020)
Contributions - employee	-	715,039	(715,039)
Net Investment income	-	5,713,748	(5,713,748)
Benefit payments, including refunds, of employee contributions	(1,974,775)	(1,974,775)	-
Administrative expense	-	(32,274)	32,274
Other changes	-	(970)	970
Net changes	2,666,304	5,895,788	(3,229,484)
Balance at 12/31/2019	\$ 45,863,750	\$ 42,842,022	\$ 3,021,728

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of \$1,548,430.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected actuarial experience	\$ 31,626	\$ 706,157
Differences in assumption changes	191,121	-
Differences between projects and actual investment earnings	-	1,297,965
Contributions subsequent to the measurement date	1,110,599	-
Total	<u>\$ 1,333,346</u>	<u>\$ 2,004,122</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2019 (i.e. recognized in the city's financial statements September 30, 2020). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Net Deferred Outflows (Inflows) of Resources
2021	\$ 502,546
2022	533,971
2023	9,226
2024	716,977
2025	18,655
Total	<u>\$ 1,781,375</u>

Note 8 - Employee Retirement System (continued)

Deferred Compensation Plan

The City also offers its employees a deferred compensation plan (457 Plan) created in accordance with Internal Revenue Code Section 457. The 457 Plan is administered by Nationwide Retirement Solutions, Inc. and is available to all full time employees over the age of eighteen (18) immediately upon becoming employed by the City. The 457 Plan functions for the benefit of the employees and their beneficiaries. Participants may contribute up to the amount allowable under the provisions of the Internal Revenue Code. The City does not match participant contributions. The 457 Plan is not reported in the City's basic financial statements.

Participant contributions for the year ended September 30, 2020, were \$103,567. The trustee of the plan distributes any benefits provided by the plan from net position available for plan benefits. Contributions made by participants vest immediately in their accounts. Contributions made by the City vest in the participants' accounts at the time such contribution is made. When a participant retires, terminates employment or becomes disabled, he/she is entitled to receive all amounts in which he/she has a vested interest in either a lump-sum payment, periodic payment by fixed amount, periodic payment by fixed time period, partial lump sum payment, or purchased annuity contract.

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is another postemployment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2019 was as follows:

Inactive plan members or beneficiaries currently receiving benefits	70
Inactive plan members entitled to but not yet receiving benefits	20
Active employees	<u>187</u>
Total plan members	<u>277</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.17% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.75% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Actuarial Assumptions

The City's Total OPEB Liability was measured at December 31, 2019 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2019

Methods and Assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 10.50%, including inflation
Discount rate:	2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.
Retirees' share of benefit related costs:	\$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees:	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees:	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Actuarial Assumptions (continued)

Other Information:

Notes: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	\$ 457,027
Changes for the year:	
Service Cost	20,430
Interest	17,259
Difference between expected and actual experience	(54,018)
Changes in assumptions	82,523
Benefit payments, including refunds, of employee contributions	(4,086)
Net changes	62,108
Balance at 12/31/2019	\$ 519,135

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.75%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's net OPEB liability	\$ 627,069	\$ 519,135	\$ 435,501

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2020, the City recognized OPEB expense of \$47,422 relating to the SBFD plan. As of September 30, 2020, the City reported deferred outflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected actuarial experience	\$ 30,806	\$ 46,844
Differences in assumption changes	91,461	21,855
Contributions subsequent to the measurement date	3,143	-
Total	\$ 125,410	\$ 68,699

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Deferred Outflows of Resources

The \$3,143 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ending September 30, 2020.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year Ending	Net Deferred Outflows (Inflows) of Resources
2021	\$ 9,733
2022	9,733
2023	9,733
2024	9,733
2025	7,910
thereafter	6,726
Total	<u>\$ 53,568</u>

Note 10 - Agreement with Stafford Municipal School District ("SMSD") Regarding Maintenance Facility and Routine Maintenance Operations

Under the terms of an agreement, the SMSD paid approximately \$200,000 in a prior year for the construction of a maintenance facility to jointly benefit the City and the SMSD. The facility is owned and operated by the City, and the SMSD's costs for the facility's construction, under the terms of the agreement, were recorded by the City as a donation and capitalized as a capital asset.

The agreement provides for the SMSD's portion of operating costs of the facility, as well as the costs of routine maintenance operations and police officers provided to the SMSD by the City, to be paid by the SMSD. The City accumulates these costs and bills the SMSD periodically during the year. The routine maintenance activities provided by the City include all vehicle maintenance and operations and all grounds maintenance and operations. The 2019-20 annual billing to the SMSD for these City provided services was \$155,860, with \$12,494 recorded as a receivable as of September 30, 2020, in the General Fund. The City also provides SMSD the use of the Civic Center at no charge.

Note 11 - Participation Agreements

The City has cost participation agreements with various developers pertaining to the purchase and operating costs of street lighting facilities and the construction of street and drainage facilities. Unexpended amounts from participation contributions for use under the terms of these agreements at September 30, 2020, are as follows:

Street lighting participation	\$ 38,313
Street and drainage participation	<u>162,645</u>
Total	<u>\$ 200,958</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The City has not had any significant reductions in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. At year-end, the City did not have any significant claims.

Note 13 - Litigation

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

Note 8 – Chapter 380 Agreement

Under Chapters 501, 502, 504, 505, and 380 of the Texas Local Government Code, The City entered into what is known as a 380 Agreement with a developer in October 2019. The agreement is for an initial 15 years with up to 5 additional years. The purpose of the agreement is to provide an economic incentive for the developer to pursue a specific course of business which would generate considerable sales tax revenue for the City of Stafford. Under the agreement the developer would receive an 80% rebate of the combined City and SEDC 2.0% sales tax revenues generated solely by the activity of this developer. The threshold to trigger the rebate is new net taxable revenues in excess of \$50 million in a 12 month period.

During the fiscal year ended September 30, 2020 this agreement generated additional new net sales tax revenue of which the 80% was rebated back as follows:

<u>Reporting Unit</u>	<u>New Sales Tax Revenue</u>	<u>Rebated Sales Tax Revenues</u>	<u>Net Sales Tax Revenues</u>
City of Stafford	\$ 1,774,171	\$ (1,419,337)	\$ 354,834
Stafford EDC	591,390	(473,112)	118,278
	<u>\$ 2,365,561</u>	<u>\$ (1,892,449)</u>	<u>\$ 473,112</u>

Note 14 - Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. Federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by the President of the United States and the Governor of Texas and the County Judges of Fort Bend and Harris Counties in the Spring of 2020. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of the Pandemic could have an adverse effect on the City's operations and financial condition. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Such adverse economic conditions, if they continue, could reduce sales tax revenue generation and collection within the City.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF STAFFORD, TEXAS**GENERAL FUND****SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****BUDGET AND ACTUAL (BUDGETARY BASIS)***For the Year Ended September 30, 2020*

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues				
Taxes	\$ 14,848,000	\$ 14,848,000	\$ 15,243,441	\$ 395,441
Fines and fees	1,350,000	1,350,000	1,064,974	(285,026)
Licenses and permits	1,582,000	1,582,000	1,604,268	22,268
Intergovernmental	3,618,186	3,618,186	1,428,379	(2,189,807)
Charges for services	2,782,739	2,782,739	1,598,928	(1,183,811)
Interest	65,000	65,000	20,317	(44,683)
Miscellaneous	173,580	173,580	290,580	117,000
Total Revenues	<u>24,419,505</u>	<u>24,419,505</u>	<u>21,250,887</u>	<u>(3,168,618)</u>
Expenditures				
Current:				
General administration	3,318,949	3,218,889	2,917,896	300,993
Financial administration	510,898	505,884	545,811	(39,927)
Municipal Services and public works	6,358,773	5,961,350	5,238,988	722,362
Police and emergency services	12,215,472	11,484,085	11,689,048	(204,963)
Recreation and performing arts	575,441	479,349	245,041	234,308
Stafford Centre	1,832,739	1,329,602	904,167	425,435
Judicial	534,559	505,378	496,271	9,107
Capital Outlay	1,946,499	697,829	642,883	54,946
Debt Service:				
Principal and interest	484,139	484,139	412,690	71,449
Total Expenditures	<u>27,777,469</u>	<u>24,666,505</u>	<u>23,092,795</u>	<u>1,573,710</u>
Revenues over (under) expenditures	<u>(3,357,964)</u>	<u>(247,000)</u>	<u>(1,841,908)</u>	<u>(1,594,908)</u>
Other Financing Sources (uses)				
Transfers out	<u>(602,000)</u>	<u>(602,000)</u>	<u>(3,557,864)</u>	<u>(2,955,864)</u>
Total other financing sources (uses)	<u>(602,000)</u>	<u>(602,000)</u>	<u>(3,557,864)</u>	<u>(2,955,864)</u>
Changes in fund balance	(3,959,964)	(849,000)	(5,399,772)	(4,550,772)
Fund Balance - Beginning of Year	<u>8,633,032</u>	<u>6,279,339</u>	<u>6,279,339</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 4,673,068</u>	<u>\$ 5,430,339</u>	<u>\$ 879,567</u>	<u>\$ (4,550,772)</u>

CITY OF STAFFORD, TEXAS
HOTEL OCCUPANCY TAX – SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (GAAP BASIS)
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Hotel occupancy taxes	\$ 1,100,000	\$ 1,100,000	\$ 731,383	\$ (368,617)
Interest	-	-	38,763	38,763
Miscellaneous	100,000	100,000	-	(100,000)
Total Revenues	<u>1,200,000</u>	<u>1,200,000</u>	<u>770,146</u>	<u>(429,854)</u>
Expenditures				
Current:				
Recreation and performing arts	777,372	777,372	985,464	(208,092)
Capital Outlay	124,200	124,200	1,481	122,719
Total Expenditures	<u>901,572</u>	<u>901,572</u>	<u>986,945</u>	<u>(85,373)</u>
Changes in fund balance	298,428	298,428	(216,799)	(515,227)
Fund Balance - Beginning of Year	<u>8,245,803</u>	<u>8,245,803</u>	<u>8,245,803</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 8,544,231</u>	<u>\$ 8,544,231</u>	<u>\$ 8,029,004</u>	<u>\$ (515,227)</u>

CITY OF STAFFORD, TEXAS

NOTES TO BUDGETARY REQUIRED SUPPLEMENTARY INFORMATION

For the year ended September 30, 2020

All departments of the City submit requests for appropriations to the Mayor so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

Annually, the City adopts budgets for all governmental fund types (General Fund, Special Revenue Funds, and Capital Projects Fund). Capital Project Fund budgets are adopted on a project basis and are updated and modified annually. Special Revenue Fund budgets are prepared in aggregate and not on a fund by fund or project by project basis.

The General Fund, and Hotel Motel Occupancy Tax Fund budgets are annual appropriations style budgets prepared and typically presented on a GAAP (generally accepted accounting principles) basis. The City does not budget for the proceeds of capital leases nor the corresponding capital outlay expenditure required by GAAP in the General Fund. A reconciliation between the GAAP and budgetary basis of accounting follows:

	Budgetary Presentation	Chapter 380 Agreement Reimbursement	Capital Lease Sources and Uses	GAAP Basis Financial Statements
Total Revenues	\$ 21,250,887	\$ 1,419,337	\$ -	\$ 22,670,224
Total Expenditures	23,092,795	1,419,337	469,811	24,981,943
Other Financing Sources	(3,557,864)	-	469,811	(3,088,053)
Changes in Fund Balance	<u>\$ (5,399,772)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,399,772)</u>

General Fund and Hotel Occupancy Tax Fund expenditures exceeded appropriations at the following functional levels:

Financial administration	\$ (39,927)
Police and emergency services	(204,963)
Recreation and performing arts	(208,092)

CITY OF STAFFORD, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Measurement Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:					
Service cost	\$ 1,878,510	\$ 1,868,367	\$ 1,810,024	\$ 1,523,293	\$ 1,318,015
Interest	2,912,579	2,748,825	2,572,565	2,436,031	2,358,232
Difference between expected and actual experience	(369,204)	(308,403)	(130,043)	(417,968)	260,796
Change in assumptions	219,194	-	-	-	85,075
Benefit payments, including refunds of employee contributions	<u>(1,974,775)</u>	<u>(1,800,978)</u>	<u>(1,539,949)</u>	<u>(1,784,051)</u>	<u>(1,664,816)</u>
Net change in total pension liability	2,666,304	2,507,811	2,712,597	1,757,305	2,357,302
Total pension liability - beginning	<u>43,197,446</u>	<u>40,689,635</u>	<u>37,977,038</u>	<u>36,219,733</u>	<u>33,862,431</u>
Total pension liability - ending (a)	<u>\$ 45,863,750</u>	<u>\$ 43,197,446</u>	<u>\$ 40,689,635</u>	<u>\$ 37,977,038</u>	<u>\$ 36,219,733</u>
Plan fiduciary net position:					
Contributions - employer	\$ 1,475,020	\$ 1,481,176	\$ 1,485,955	\$ 1,223,185	\$ 1,129,513
Contributions - employee	715,039	705,805	691,603	590,097	527,809
Net investment income	5,713,748	(1,129,835)	4,516,431	2,062,493	45,017
Benefit payments, including refunds of employee contributions	(1,974,775)	(1,800,978)	(1,539,949)	(1,784,051)	(1,664,816)
Administrative expense	(32,274)	(21,833)	(23,404)	(23,292)	(27,419)
Other	<u>(970)</u>	<u>(1,141)</u>	<u>(1,186)</u>	<u>(1,255)</u>	<u>(1,354)</u>
Net change in plan fiduciary net position	5,895,788	(766,806)	5,129,450	2,067,177	8,750
Plan fiduciary net position - beginning	<u>36,946,234</u>	<u>37,713,040</u>	<u>32,583,590</u>	<u>30,516,413</u>	<u>30,507,663</u>
Plan fiduciary net position - ending (b)	<u>42,842,022</u>	<u>36,946,234</u>	<u>37,713,040</u>	<u>32,583,590</u>	<u>30,516,413</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,021,728</u>	<u>\$ 6,251,212</u>	<u>\$ 2,976,595</u>	<u>\$ 5,393,448</u>	<u>\$ 5,703,320</u>
Plan fiduciary net position as a percentage of total pension liability	93.41%	85.53%	92.68%	85.80%	84.25%
Covered payroll (measurement year)	\$ 10,214,846	\$ 10,082,930	\$ 9,880,041	\$ 8,429,955	\$ 7,540,134
Net pension liability as a percentage of covered employee payroll	29.58%	62.00%	30.13%	63.98%	75.64%

CITY OF STAFFORD, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Measurement Years

	<u>2014</u>
Total pension liability:	
Service cost	\$ 1,047,608
Interest	2,225,384
Difference between expected and actual experience	(12,479)
Change in assumptions	-
Benefit payments, including refunds of employee contributions	<u>(1,330,942)</u>
Net change in total pension liability	1,929,571
Total pension liability - beginning	<u>31,932,860</u>
Total pension liability - ending (a)	<u>\$ 33,862,431</u>
Plan fiduciary net position:	
Contributions - employer	\$ 1,007,242
Contributions - employee	478,662
Net investment income	1,643,366
Benefit payments, including refunds of employee contributions	(1,330,942)
Administrative expense	(17,158)
Other	<u>(1,411)</u>
Net change in plan fiduciary net position	1,779,759
Plan fiduciary net position - beginning	<u>28,727,904</u>
Plan fiduciary net position - ending (b)	<u>30,507,663</u>
Net pension liability - ending (a) - (b)	<u>\$ 3,354,768</u>
Plan fiduciary net position as a percentage of total pension liability	90.09%
Covered payroll (measurement year)	\$ 6,802,638
Net pension liability as a percentage of covered employee payroll	49.32%

CITY OF STAFFORD, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
For the Year Ended September 30, 2020

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Contributions
Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,519,432	\$ 1,506,395	\$ 1,443,390	\$ 1,436,970	\$ 1,193,121
Contribution in relation of the actuarially determined contribution	<u>1,519,432</u>	<u>1,506,395</u>	<u>1,443,390</u>	<u>1,436,970</u>	<u>1,193,121</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll (fiscal year)	\$ 10,691,116	\$ 10,273,748	\$ 9,745,166	\$ 9,642,541	\$ 8,046,812
Contributions as a percentage of covered employee payroll	14.21%	14.66%	14.81%	14.90%	14.83%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 1,057,340	\$ 1,042,715	\$ 937,294	\$ 921,584	\$ 1,012,927
Contribution in relation of the actuarially determined contribution	<u>1,057,340</u>	<u>985,363</u>	<u>862,664</u>	<u>811,344</u>	<u>814,144</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 57,352</u>	<u>\$ 74,630</u>	<u>\$ 110,240</u>	<u>\$ 198,783</u>
Covered employee payroll (fiscal year)	\$ 7,110,532	\$ 6,725,305	\$ 6,033,033	\$ 5,818,677	\$ 6,029,363
Contributions as a percentage of covered employee payroll	14.87%	14.65%	14.30%	13.94%	13.50%

Notes to Schedule:

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	26 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	2.5%
Salary Increases:	3.50% to 10.5% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality:	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF STAFFORD, TEXAS

REQUIRED OTHER POST EMPLOYMENT BENEFITS (OPEB) SUPPLEMENTARY INFORMATION

For the Year Ended September 30, 2020

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Three Measurement Years

	2019	2018	2017
Total OPEB liability:			
Service cost	\$ 20,430	\$ 21,174	\$ 17,784
Interest	17,259	13,979	13,619
Difference between expected and actual experience	(54,018)	41,848	
Change in assumptions	82,523	(29,689)	32,929
Benefit payments, including refunds of employee contributions	(4,086)	(4,033)	(3,952)
Net change in total OPEB liability	62,108	43,279	60,380
Total OPEB liability - beginning	457,027	413,748	353,368
Total OPEB liability - ending (a)	\$ 519,135	\$ 457,027	\$ 413,748
Covered payroll (measurement year)	\$ 10,214,846	\$ 10,082,930	\$ 9,880,041
Net OPEB liability as a percentage of covered employee payroll	5.08%	4.53%	4.19%

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 10.5% including inflation
Discount rate	* 2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.



OTHER SUPPLEMENTAL INFORMATION

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2020

Page 1 of 3

	Debt Service Fund	Judicial Efficiency	Narcotic Seizure	Court Security	Court Technology
Assets					
Restricted cash and cash equivalents	\$ 15,854	\$ -	\$ 186,522	\$ -	\$ -
Due from other funds	-	4,943	-	30,113	74,035
Total Assets	\$ 15,854	\$ 4,943	\$ 186,522	\$ 30,113	\$ 74,035
Liabilities					
Accounts payable	\$ -	\$ -	\$ 2,085	\$ -	\$ -
Due to other funds	-	-	8,702	-	-
Total Liabilities	-	-	10,787	-	-
Fund balances					
Restricted:					
Debt service	15,854	-	-	-	-
Municipal court programs	-	4,943	-	30,113	74,035
Public safety programs	-	-	175,735	-	-
Municipal services	-	-	-	-	-
Total Fund Balances	15,854	4,943	175,735	30,113	74,035
Total Liabilities and Fund Balances	\$ 15,854	\$ 4,943	\$ 186,522	\$ 30,113	\$ 74,035

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2020

Page 2 of 3

	Child Safety Fees	Police Department Funds	Local Truancy Prevention and Diversion Fund	Municipal Jury Fund
Assets				
Restricted cash and cash equivalents	\$ -	\$ 18,443	\$ -	\$ -
Due from other funds	32,693	-	18,177	365
Total Assets	\$ 32,693	\$ 18,443	\$ 18,177	\$ 365
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	119	-	-
Total Liabilities	-	119	-	-
Fund balances				
Restricted:				
Debt service	-	-	-	-
Municipal court programs	-	-	18,177	365
Public safety programs	32,693	18,324	-	-
Municipal services	-	-	-	-
Total Fund Balances	32,693	18,324	18,177	365
Total Liabilities and Fund Balances	\$ 32,693	\$ 18,443	\$ 18,177	\$ 365

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2020

Page 3 of 3

	Participation Agreements and Other	Total Non-Major Governmental Funds
Assets		
Restricted cash and cash equivalents	\$ 201,358	\$ 422,177
Due from other funds	-	160,326
Total Assets	\$ 201,358	\$ 582,503
Liabilities		
Accounts payable	\$ 400	\$ 2,485
Due to other funds	-	8,821
Total Liabilities	400	11,306
Fund balances		
Restricted:		
Debt service	-	15,854
Municipal court programs	-	127,633
Public safety programs	-	226,752
Municipal services	200,958	200,958
Total Fund Balances	200,958	571,197
Total Liabilities and Fund Balances	\$ 201,358	\$ 582,503

CITY OF STAFFORD, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

Page 1 of 3

	Debt Service Fund	Judicial Efficiency	Narcotic Seizure	Court Security	Court Technology
Revenues					
Taxes:					
Fines and forfeitures	\$ -	\$ 4,101	\$ -	\$ 28,633	\$ 28,956
Investment earnings	400	-	1,547	-	-
Miscellaneous	-	-	113,144	-	-
Total Revenues	<u>400</u>	<u>4,101</u>	<u>114,691</u>	<u>28,633</u>	<u>28,956</u>
Expenditures					
Current:					
Municipal services and public works	-	3,046	1	-	-
Police and emergency services	-	-	-	-	-
Judicial	-	-	-	-	21,100
Capital Outlay	-	-	47,037	-	-
Debt Service:					
Principal	250,000	-	-	-	-
Interest and other charges	349,799	-	-	-	-
Total Expenditures	<u>599,799</u>	<u>3,046</u>	<u>47,038</u>	<u>-</u>	<u>21,100</u>
Revenues over (under) expenditures	<u>(599,399)</u>	<u>1,055</u>	<u>67,653</u>	<u>28,633</u>	<u>7,856</u>
Other Financing Sources (Uses)					
Transfers in	602,000	-	-	-	-
Total other financing sources (uses)	<u>602,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Fund Balance	2,601	1,055	67,653	28,633	7,856
Fund Balances - Beginning of Year	<u>13,253</u>	<u>3,888</u>	<u>108,082</u>	<u>1,480</u>	<u>66,179</u>
Fund Balances - End of Year	<u>\$ 15,854</u>	<u>\$ 4,943</u>	<u>\$ 175,735</u>	<u>\$ 30,113</u>	<u>\$ 74,035</u>

CITY OF STAFFORD, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

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	Child Safety Fees	Police Department Funds	Local Truancy Prevention and Diversion Fund	Municipal Jury Fund
Revenues				
Taxes:				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Investment earnings	-	61	-	-
Miscellaneous	25,128	-	18,177	365
Total Revenues	<u>25,128</u>	<u>61</u>	<u>18,177</u>	<u>365</u>
Expenditures				
Current:				
Municipal services and public works	-	-	-	-
Police and emergency services	40,969	1,345	-	-
Judicial	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	<u>40,969</u>	<u>1,345</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(15,841)</u>	<u>(1,284)</u>	<u>18,177</u>	<u>365</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in Fund Balance	(15,841)	(1,284)	18,177	365
Fund Balances - Beginning of Year	<u>48,534</u>	<u>19,608</u>	<u>-</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 32,693</u>	<u>\$ 18,324</u>	<u>\$ 18,177</u>	<u>\$ 365</u>

CITY OF STAFFORD, TEXAS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

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	Participation Agreements and Other	Total Non-Major Governmental Funds
Revenues		
Taxes:		
Fines and forfeitures	\$ -	\$ 61,690
Investment earnings	731	2,739
Miscellaneous	-	156,814
Total Revenues	731	221,243
Expenditures		
Current:		
Municipal services and public works	-	3,047
Police and emergency services	-	42,314
Judicial	-	21,100
Capital Outlay	-	47,037
Debt Service:		
Principal	-	250,000
Interest and other charges	-	349,799
Total Expenditures	-	713,297
Revenues over (under) expenditures	731	(492,054)
Other Financing Sources (Uses)		
Transfers in	-	602,000
Total other financing sources (uses)	-	602,000
Changes in Fund Balance	731	109,946
Fund Balances - Beginning of Year	200,227	461,251
Fund Balances - End of Year	\$ 200,958	\$ 571,197